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CHILTON'S

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THE TRANSPORTATION & BUSINESS LOGISTICS MAGAZINE AUGUST 1986

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VOL. 85, NO. 8

CHILTON'S
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AUGUST 1986

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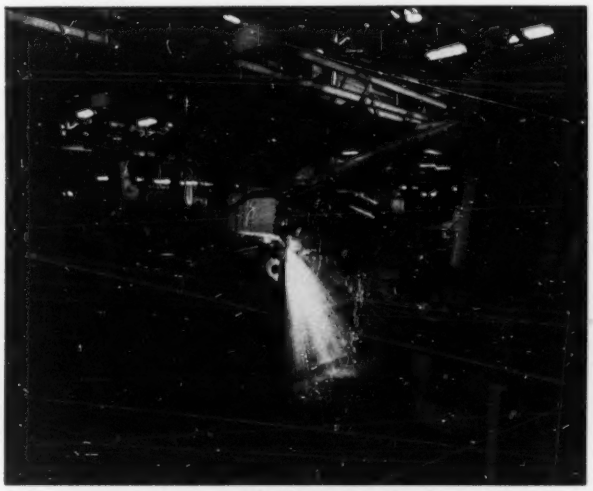

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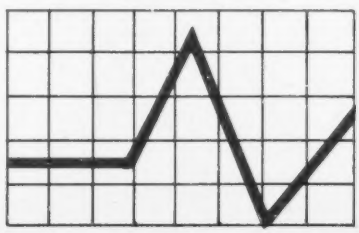

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SECURITY CHECK

As a transportation/distribution manager, what can you do to help control cargo and inventory theft? That's what our May Dialogue question asked, and answers ranged from common sense basics (eliminating theft opportunities, tighter controls) to more complex solutions (Stay with your goods at all times!). You also said that theft can take any form – stealing in-transit or from shop floors, loading docks, manufacturing sites, warehouses or distribution centers. But most of you agreed there are some relatively simple things – short of staying with your goods at all times – that can be done to cut down on theft. Here's what you had to say.

"Establish a policy and procedures to control all logistical theft opportunities within the organization and hold managers accountable for losses." **– Joe Lyman, general manager, Dunkin' Donuts, Inc., Thorofare, NJ.**

"Know your product and use only carriers with insurance and proven track records." **– Brett Smith, plant manager, Linkwood Truss Systems, Mansfield, TX.**

continued

My company has experienced:	
no change in the incidence of cargo/inventory theft in the past two years	67%
an increase in theft in the last two years	17%
a decrease in theft in the past two years	17%
The primary responsibility for cargo/inventory security within my company lies with:	
the operations/production dept.	50%
the transportation/distribution dept.	33%
administration/personnel	17%
Freight/inventory theft most often takes the form of:	
in-transit theft	33%
stealing from warehouses/distribution centers	25%
stealing from shop floors and loading/receiving docks at manufacturing sites	17%
My company insures against cargo theft with:	
a corporate umbrella policy	83%
self-insurance	13%

QUESTION OF THE MONTH

TRANSPORTATION CHECKS AND BALANCES

Just as word comes from Washington that the executive branch is tiring of the Conrail disposal controversy, sentiment is mounting for the government to loosen its grip on other transportation entities such as the U.S. Postal Service and Amtrak. Washington's self-appointed watchdog, the General Accounting Office, continues to crank out reports that indicate the government is about as adept at operating transportation entities as it is at balancing its checkbook.

Beyond its direct involvement in operations like the USPS, Amtrak and Conrail, the government also plays a large behind-the-scenes role in other transportation areas, through shipbuilding and operating subsidies to U.S.-flag ocean carriers and subsidization of airports, ports, waterways, and highways.

All things considered, do you feel *your* operation is better off, from a cost and service standpoint, because of the government's involvement? Or should the government get out of the picture? On the card below, tell us just how much of an operating role you'd like to see the government have in transportation. Remember, we're not talking about regulation here – that's a different can of worms.

DIALOGUE August 1986

- I would like to see the Postal Service:
_____become completely privatized
_____be forced to privatize in unprofitable areas
_____continue to make its own privatization choices
- I would like to see Amtrak:
_____become completely privatized
_____be forced to privatize in unprofitable areas
_____continue to make its own privatization choices
- I would like to see the federal government _____decrease/_____increase the amount of support it provides to the ocean shipping industry through shipbuilding and operating subsidies
- I would like to see the federal government _____decrease/_____increase its financial involvement tied to transportation facilities such as highways, airports, ports, waterways, etc.
- Final disposition of the Conrail question **should** see
_____a complete sale to Norfolk Southern or another bidder
_____a public stock sale
_____a continuation of the status quo, with the government retaining its holdings
- I am _____in favor/_____opposed to increased user fees to help the government absorb the costs it entails in transportation areas.

The federal government's proper **operating** role with respect to transportation entities like Conrail, the USPS, Amtrak, steamship lines, etc., should be:

NAME (print) TITLE

COMPANY PHONE

ADDRESS

CITY STATE ZIP

FIGURES IN SPEECH

(Quotes from transportation and distribution notables that have caught the ears of *DISTRIBUTION* editors:)

"Just as the LTL trucker is influencing the TOFC business, the steamship industry now is directing the COFC business. Stack trains can represent some important economic advances for the railroad industry – somewhere down the road when the current fleet of conventional piggyback flatcars is closer to full depreciation. But right now, stack trains are a solution to the steamship operator's problems, not the railroad's. For the rail industry and its domestic shipper base, stack trains may be creating more problems than they solve." **– Harry J. Bruce, chairman and ceo, Illinois Central Gulf Railroad.**

•

"Speaking for ACL, I do *not* want to provide rail services. From what I have seen the past three years, I am convinced that no ocean carrier can possibly operate a train service as well as the railroads now do. We are now getting second morning delivery into Chicago at reasonable prices. Could we handle the job as well? Not at all. My objective is to use the best of what is out there, a concept I call 'mixing and matching.' " **– Daniel J. Kerrigan, president, Atlantic Container Line-U.S.A.**

"Be a good example, be fair but strict, and prosecute anyone caught stealing." **– Louis A. Paulsen, distribution manager, Sundor Brands, Darien, CT.**

"You need to establish good controls on issues receipts and to lower incidental traffic through warehouse and shipping areas." **– T. R. Yauch, materials manager, Valin Corporation, Sunnyvale, CA.**

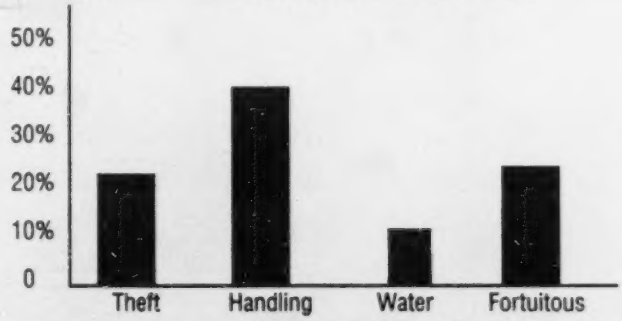
"Select the right carriers." **– J. Alvarez, director of transportation, Burdine's, Miami, FL.**

"(Adopt) a quality control process in the department when shipping documents are to be generated and when (cargo) is going out the door. This is a proven tactic if it can be implemented." **– Patrick Riley, traffic manager, American Computer Hardware Corporation, Santa Ana, CA.**

"Stay with your goods at all times!" **– C. McDale, manager, Apex Truck & Mail Co., St. Louis, MO.**

"Strict control of access to inventory locations, security packaging to detect shipment tampering and refresher training for material handling units." **– R. L. McDill, director of logistics, Ericsson Inc, Anaheim, CA.**

INCIDENCE OF CARGO LOSS: 1978-1982



Analysis of cargo losses reported to the CIGNA insurance firm over a five-year period indicate that approximately 75 percent are preventable. Of these, 21 percent were caused by theft. This figure represents nearly one third of all preventable losses, and nearly one quarter of losses in general.
Source: CIGNA

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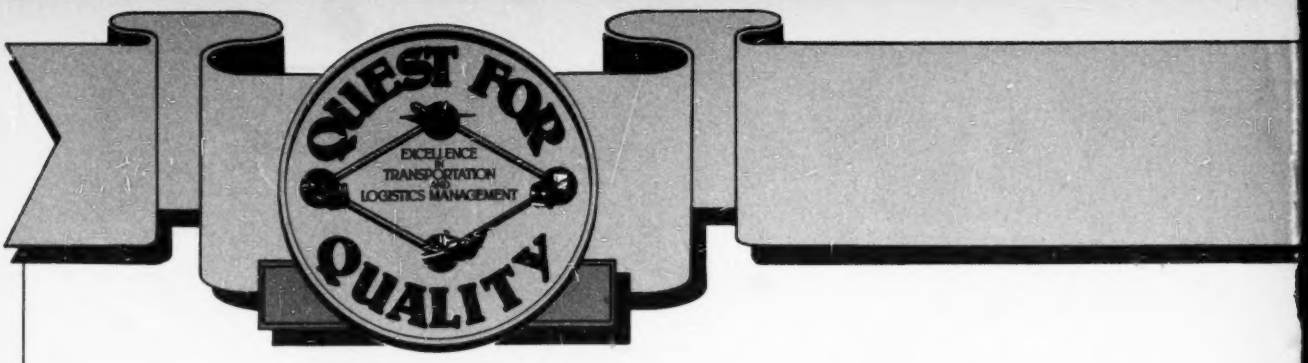

The nation's shippers identify those carriers that have moved ahead of the pack in quality.

Ever since DISTRIBUTION introduced the Carrier Marketing Awards program three years ago, its purpose has been to single out for recognition those carriers that have:

- identified market needs and developed truly innovative product lines to meet those needs;
- backed those products with dependable performance and essential follow-up services;
- trimmed operating costs to be able to offer the products at reasonable, affordable prices;
- kept customers informed about the products' capabilities with effective, timely advertising and other forms of promotional communication.

This year over 1200 shippers participated in the study.

The areas measured were:

- Service – transit time, routing, equipment
- Convenience – billing, EDI, tracing, claims settlement
- Price – rates, contracts
- Promotion – advertising, direct mail, service guides
- Sales force – knowledge of services and customers' needs

Because quality is a very subjective measure, this year DISTRIBUTION has changed the methodology to a more quantitative approach.

Separate questionnaires for each major mode of transportation were bound into issues of DISTRIBUTION and supplemented by mailings to shippers with the appropriate buying influence. Each questionnaire contained a list of carriers with ample space for write-ins.

Using an assigned value scale that ranged from 0 (unacceptable) to 5 (outstanding), study participants rated each carrier they used.

A carrier's rating in a category was determined by multiplying the number of votes by their point values. Total points were then divided by the number of shippers evaluating the carrier to find the average. For example, under "service" XYZ Company received this rating:

Range	Respondents	Value
0	10	0
1	3	3
2	9	18
3	2	6
4	23	72
5	11	55
	58	154

Average: 2.655

Category averages are the sum of all carrier averages divided by the number of carriers studied in the section.

The charts on the following pages include only those carriers who received statistically measurable results. Above-average scores are shown in bold. In categories where the average fell below three, only those carriers achieving a higher score are shown in bold.

As several shippers and carriers have pointed out, promotion budgets are closely tied to carrier size. The larger the carrier, the more dollars that are available for advertising, direct mail, etc. Study results confirmed this, so promotion has been removed from the comparisons.

The Award Winners Outstanding in All Categories (in alphabetical order)

Allied Van Lines
British Airways
Burlington Northern Air Freight
CW Transport
Canadian Pacific
Carolina Freight Carriers
Cast North America
Clipper Exxpress
Consolidated Freightways
Florida East Coast
GATX
Hapag Lloyd
Holmes Transportation
Jones Truck Lines
KLM
Kinetetsu World Express
Maersk
Mayflower
Missouri–Kansas–Texas
NYK Line
National Piggyback
OOCL–Seapac
Preston Trucking
Profit Air Freight
Roadway Express
Southeastern Freight Lines
Stoop's Express
TNT Holland
Trans Freight Lines
Union Pacific
WTC AirFreight
Wheaton Van Lines
YS Line
Yellow Freight

AIR FREIGHT

Although study after study shows the shipper to be the key decision-market in carrier selection, air carriers concentrate their sales and marketing efforts among air freight forwarders. The result: shippers give airlines lower marks in almost every category. It is interesting to note that international carriers generally rank higher than domestic. Clearly, stronger lines of communication need to be built.

In a separate study, DISTRIBUTION's readers with air freight buying influence reported that 50 percent had never been called on by an air carrier sales rep; only 18 percent had never been called on by an air forwarder rep. In this study, air forwarders get the highest marks for effective sales force. The more consumer-oriented express services walk away with the gold in convenience and price.

CARRIERS

	SERVICE	CONVENIENCE	PRICE	SALES
AVERAGE	**3.305**	**3.181**	**3.149**	**2.379**
Air Canada	**3.391**	2.652	2.782	2.043
Air France	**3.833**	**3.666**	**3.611**	**2.944**
American Airlines	3.195	2.978	3.000	**2.434**
British Airways	**3.600**	**3.333**	**3.466**	**3.000**
British Caledonian	2.428	1.857	2.285	1.571
China Airlines	3.250	**4.250**	**4.500**	**2.750**
Continental Airlines	3.280	2.791	2.916	2.250
Delta Airlines	1.974	**3.256**	3.076	2.282
Eastern Airlines	2.864	2.783	3.000	2.054
Emery	**3.400**	**3.419**	2.720	**2.612**
Federal Express	**4.353**	**4.069**	**3.246**	**2.946**
Flying Tiger	3.012	2.817	2.902	**2.524**
Frontier Airlines	2.100	2.200	2.600	1.600
Japan Airlines	**4.133**	**4.000**	**3.400**	**2.800**
KLM	**3.600**	**3.466**	**3.400**	**3.000**
Korean Airlines	**3.900**	**3.500**	**3.200**	2.100
Lufthansa	**3.880**	**3.640**	**3.480**	**2.840**
Northwest Orient	**3.375**	3.041	3.083	2.250
Pan American	2.450	2.650	**3.150**	1.500
Piedmont	**3.785**	**3.642**	3.000	2.285
Republic	3.296	2.888	3.037	2.148
Qantas	**3.636**	**3.273**	3.000	2.273
TWA	3.107	2.928	**3.178**	**2.392**
USAir	**3.600**	3.133	**3.333**	**2.400**
United Airlines	**3.522**	**3.295**	**3.227**	**2.522**
Western Airlines	**3.391**	**3.260**	3.130	2.217

AIR FORWARDERS

	SERVICE	CONVENIENCE	PRICE	SALES
AVERAGE	**3.201**	**3.094**	**3.001**	**2.784**
Airborne Express	**3.329**	**3.250**	2.988	2.625
Air Express Int'l	3.000	2.951	2.878	2.317
AFSAC	3.166	2.750	**3.083**	**2.667**
Amerford Int'l	3.160	2.920	2.880	2.640
Associated Air Frt.	2.562	2.437	2.500	2.125
BNAFI	**3.277**	**3.291**	**3.166**	**3.222**
CF Airfreight	3.072	**3.145**	2.968	2.958
Circle Airfreight	3.038	3.000	2.962	2.769
Emery Worldwide	**3.486**	**3.360**	2.883	2.721
Kintetsu	**4.133**	**3.866**	**3.533**	**3.467**
MSAS	**3.333**	**3.200**	2.667	2.267
Northern Air Freight	3.176	3.058	**3.235**	**3.352**
Pilot Air Freight	2.722	2.916	**3.028**	2.611
Profit Air Freight	**3.238**	**3.142**	**3.286**	**3.119**
Seko Air Freight	3.000	2.933	2.933	**2.800**
TNT Express	**3.250**	**3.125**	2.813	2.563
WTC Airfreight	**3.468**	**3.255**	**3.213**	**3.106**

AIR EXPRESS

AVERAGE	**3.374**	**3.239**	**3.204**	**2.525**
Airborne Express	**3.467**	3.230	3.155	**2.779**
BNAFI	**3.404**	**3.425**	**3.375**	**3.416**
DHL	**3.500**	**3.230**	3.038	**2.641**
Emery Worldwide	**3.530**	**3.255**	2.989	2.653
Federal Express	**4.408**	**4.097**	3.149	**2.891**
Purolator	2.980	2.900	3.009	2.158
Roadway Package	2.950	3.150	**3.500**	**2.800**
TNT Skypak	3.250	3.083	3.083	2.500
UPS	**3.728**	**3.441**	**3.645**	2.174
USPS	2.532	2.584	3.103	1.246

MOTOR CARRIERS

REGIONAL	SERVICE	CONVENIENCE	PRICE	SALES
AVERAGE	**3.368**	**3.086**	**3.063**	**2.611**
AAA Cooper	**3.542**	**3.594**	**3.329**	2.414
AAA Trucking	2.927	2.797	2.797	2.217
APA Transport	**3.738**	**3.462**	2.657	**2.852**
Advance Trans.	3.250	**3.120**	**3.340**	2.495
Averitt Express	**3.864**	3.054	2.892	2.432
CW Transport	**3.459**	**3.304**	**3.112**	**3.012**
Central Freight Lines	3.275	2.955	2.536	2.145
Central Transport	2.889	2.808	**3.089**	2.437
Churchill Truck Lines	**3.523**	**3.174**	2.744	2.965
Delta Lines	2.120	1.880	1.920	1.880
Duff Truck Line	3.016	2.967	2.935	2.738
Estes Express	**3.553**	**3.523**	2.985	2.631
ForeWay Express	**3.596**	**3.241**	2.855	2.468
Frederick Transport	3.360	**3.120**	**3.520**	2.040
Gemini	3.157	2.631	3.000	2.389
TNT Holland	**4.158**	**3.619**	**3.151**	**3.159**
Holmes Transportation	**3.583**	**3.263**	**3.153**	**2.801**
Jones Truck Lines	**3.440**	**3.314**	**3.204**	**3.028**
Lynden Transportation	**3.636**	**3.090**	**3.818**	2.909
Midwestern Distribution	3.135	2.864	**3.135**	2.189
Milne Truck Lines (SUN)	3.039	2.974	3.026	2.506
Mistletoe Express	2.520	2.372	2.920	1.959
New Penn Motor Express	**3.587**	**3.262**	2.580	2.563
Old Dominion Freight	3.106	3.061	**3.221**	2.496
Overland Express	**3.563**	**3.127**	2.891	2.582
Poole Truck Line	**3.375**	2.958	**3.583**	2.130
Preston Trucking	**3.502**	**3.341**	**3.208**	**3.069**
RISS International	3.235	**3.117**	**3.265**	2.559
St. Johnsbury	**3.391**	**3.222**	2.717	2.766
Sanborn's	**3.490**	**3.226**	2.953	**3.000**
Schneider	**3.670**	**3.291**	**3.278**	2.722
Southeastern Frt. Lines	**4.140**	**3.857**	**3.440**	**3.020**
Standard	3.019	2.863	2.961	2.608
Stoop's Express	**3.851**	**3.370**	**3.593**	**3.037**
TNT Pilot	3.158	**3.115**	**3.223**	2.914
Thurston	3.062	2.969	**3.197**	2.531
Transus	3.024	2.901	**3.111**	2.506
Viking Freight	**3.785**	**3.557**	2.943	2.757
Watkins Motor Lines	**3.771**	**3.188**	**3.163**	2.880

MOTOR CARRIERS

Since this is the most heavily used mode of transportation, this category had the largest number of carriers studied and the highest shipper participation. To provide a more equitable evaluation, carriers in this category were divided into three groups: transcontinental, regional and specialized (van lines, liquid bulk and truckload).

As DISTRIBUTION reported in June ("Regional Trucking Checks In," p. 28), many shippers find regional carriers more responsive to their service needs. This study confirms that. However, the transcontinentals, helped by their far greater size, ranked highest in convenience. They also lead the group in price sensitivity.

This is the first year that the specialized motor carriers have made an impact in the study. The van lines performed especially well; their broadened base of activities clearly meets a wide variety of shipper needs.

MOTOR CARRIERS

	SERVICE	CONVENIENCE	PRICE	SALES
TRANSCONTINENTAL				
AVERAGE	***3.276***	***3.261***	***3.253***	***2.961***
ABF	***3.285***	***3.298***	3.139	2.940
American Frt. Sys.	***3.386***	***3.302***	***3.688***	2.972
ANR	2.872	2.815	2.937	2.494
ARA Smith's	3.095	2.290	2.992	2.733
Bowman	2.964	3.000	3.119	2.667
Carolina Frt. Carriers	***3.571***	***3.476***	***3.320***	***3.092***
Consolidated Frtways	***3.444***	***3.619***	***3.413***	***3.317***
Overnite Trans.	***3.633***	***3.383***	***3.457***	2.874
P.I.E. Nationwide	3.102	3.204	3.178	2.907
Roadway	***3.674***	***3.637***	***3.293***	***3.247***
Transcon	3.185	3.014	3.126	***3.009***
Yellow Freight	***3.718***	***3.736***	***3.452***	***3.473***
SPECIALIZED				
AVERAGE	***3.355***	***3.013***	***3.072***	***2.706***
Aero Mayflower	***3.500***	***3.304***	***3.086***	***3.043***
Allied Van Lines	***3.548***	***3.370***	***3.354***	***3.338***
Arkansas Freightways	***4.000***	***3.509***	***3.547***	2.706
Atlas Van Lines	***3.600***	***3.657***	3.028	***3.285***
Burnham Service Co.	2.714	2.285	2.571	2.285
Bekins Van Lines	2.685	2.400	2.400	2.314
CRST	3.255	3.021	2.657	2.489
Chemical Leaman	***3.448***	***3.137***	2.413	2.275
DSI Tank Lines	***3.500***	2.700	3.000	***3.100***
FFE	2.928	2.642	2.500	2.642
J.B. HUNT	***3.485***	***3.114***	***3.542***	2.628
ICCC (Ryder)	2.933	2.666	***3.433***	2.300
INWAY (IU)	3.153	2.884	***3.192***	2.538
Leaseway	2.941	2.676	2.705	2.441
Manfredi	***4.166***	***3.500***	***3.666***	2.166
Matlack	***3.421***	***3.236***	2.973	2.657
National Van Lines	2.500	2.125	2.375	2.375
North Am. Van Lines	3.300	3.232	***3.261***	2.821
Ranger (IU)	***4.365***	***3.170***	***3.219***	2.487
Wheaton	***3.625***	***3.625***	***3.625***	***3.750***

Who is Number One?

Each shipper has his or her own ranking and weighting for the four carrier characteristics reported: Service, convenience, price and sales effectiveness. Before you can calculate which carrier has the best "performance profile" for you, you have to determine your list of priorities.

The simplest way to do this is to assign weighted point values to the four characteristics. For instance, take a total of 10 points and assign the appropriate weighting to service, price, convenience and sales effectiveness based on their importance to you. If service is most important, that might receive four points. If price is next, that might be three. Convenience might get two and sales, one. This weighting will vary from one shipper to the next and from one mode to the next.

After you have determined your weightings, multiply them times the reported scores for the various carriers. The carrier with the highest total of points after all four categories have been extended is the best one for you.

Here's an example. Suppose your weighted scale of carrier characteristics is four for service, three for price, two for convenience and one for sales effectiveness. The extended scores and the total points for the following carrier would be as follows:

	Reported Score	*Weight Factor*	*Extended Score*
XYZ Co.			
	3.000	*4*	*12.000*
	3.100	*3*	*9.300*
	2.800	*2*	*5.600*
	2.500	*1*	*2.500*
Total			*29.400*

RAIL CARRIERS

CARRIERS	SERVICE	CONVENIENCE	PRICE	SALES
AVERAGE	***3.356***	***3.092***	***2.972***	***2.623***
Boston & Maine	*1.500*	*1.167*	*1.583*	*2.000*
Burlington Northern	***3.629***	***3.387***	***3.339***	*2.726*
Canadian National	***3.500***	***3.143***	*2.857*	***3.143***
Canadian Pacific	***3.889***	***3.444***	***3.278***	***3.333***
Chessie System	*3.121*	*2.818*	*2.879*	*2.212*
Chicago & Northwestern	*3.353*	***3.147***	***3.294***	*2.441*
Conrail	***3.423***	***3.269***	*2.962*	*2.519*
CSX	*3.160*	*3.000*	*3.000*	*2.400*
Denver & Rio Grande	***3.680***	***3.160***	***3.080***	*2.800*
Florida East Coast	***4.313***	***4.000***	***3.813***	*3.000*
Grand Trunk Western	***3.533***	*2.800*	*2.333*	*2.733*
Illinois Central Gulf	*3.321*	***3.107***	***3.036***	*2.071*
Kansas City Southern	*3.188*	*3.000*	*2.750*	*2.063*
Missouri-Kansas-Texas	***3.680***	***3.480***	***3.640***	***3.160***
Norfolk Southern	***3.407***	***3.315***	*2.833*	***3.148***
St. Louis S'western	*2.950*	*2.850*	*2.650*	*2.000*
Santa Fe	***3.813***	***3.500***	***3.146***	*2.813*
Seaboard System	*2.977*	*2.864*	*2.591*	*2.159*
Soo Line/Milwaukee Road	***3.516***	***3.161***	***3.419***	***2.774***
Southern Pacific	*2.801*	*2.911*	*2.732*	*2.429*
Union Pacific System	***3.712***	***3.339***	***3.220***	***3.169***

SURFACE FORWARDERS

AVERAGE	***3.371***	***3.356***	***3.277***	***2.644***
Clipper Exxpress	***3.429***	***3.786***	***3.714***	***3.143***
Hub City Terminals	***3.500***	***3.455***	*3.227*	*2.273*
Intermodal Transport	*3.364*	*3.091*	*3.000*	*2.545*
ITOFCA	*3.294*	*3.176*	*3.000*	*2.412*
National Piggyback	***3.731***	***3.808***	***3.538***	***3.308***
Wescar Freight Systems	*2.909*	*2.818*	*3.182*	*2.182*

RAIL CAR LESSORS

AVERAGE	***3.416***	***3.420***	***3.447***	***3.246***
ACF	*3.333*	*3.400*	***3.467***	*2.800*
GATX	***3.611***	***3.611***	***3.500***	***3.500***
Union Tank	***3.438***	*3.250*	*3.375*	***3.438***

RAIL FREIGHT

The railroads have been on the receiving line for some pretty heavy criticism from shippers in recent years (see "The Big Rail Shippers Speak Out," April, p. 11), but they're working hard to be more sensitive to their customers' requirements. Three railroads made the awards list; four more would have joined the winners' circle had they not been marked down on sales force. In this category, as in almost every other category of the study, sales force was the most heavily marked down element.

Surface forwarders, like their air counterparts, generally scored higher than the carriers. Once again, the weakest element in their marketing efforts was sales staff.

OCEAN CARRIERS

CARRIERS	SERVICE	CONVENIENCE	PRICE	SALES
AVERAGE	***3.510***	***3.295***	***3.056***	***3.223***
American Pres. Lines	***4.125***	***3.854***	*3.020*	*3.208*
Atlantic Container Line	***4.227***	***3.954***	*2.954*	***3.500***
Barber Blue Sea	*3.214*	*3.071*	*2.821*	*2.892*
Cast North America	***3.611***	***3.444***	***3.944***	***3.444***
Chilean Lines	*2.846*	*3.000*	*3.000*	*2.230*
Columbus Line	***3.933***	***3.866***	***3.133***	*3.066*
Dart Container	*3.500*	*3.166*	*2.888*	*2.666*
Evergreen	*3.369*	*3.000*	***3.869***	*2.521*
Farrell Lines	*3.071*	*3.071*	*2.642*	*2.428*
Hanjin	*2.882*	*2.764*	***3.176***	*2.647*
Hapag Lloyd	***4.031***	***3.843***	***3.093***	***3.531***
Heogh	*3.375*	*3.125*	*3.000*	*2.000*
Italian Line	*2.800*	*2.500*	*2.400*	*2.300*
Japan Lines	***3.769***	***3.384***	***3.153***	*2.384*
Johnson Scan Star	***3.875***	***3.625***	***3.375***	*2.750*
K Line	***3.846***	***3.384***	*3.000*	*2.846*
Lykes Bros.	*3.240*	*3.000*	***3.240***	*3.040*
Maersk Lines	***4.500***	***4.187***	***3.541***	***3.687***
Matson Navigation	***3.700***	***3.300***	*2.400*	*2.700*
Mitsui O.S.K.	***3.666***	***3.400***	*2.666*	*3.066*
Navieras De Puerto Rico	*3.181*	*2.909*	*2.090*	*2.681*
Nedlloyd Lines	*3.500*	*3.187*	***3.125***	*2.562*
Neptune Orient Lines	*3.200*	*3.066*	***3.133***	*2.200*
NYK Line	***4.000***	***3.642***	***3.285***	***3.428***
OOCL-Seapac	***3.551***	***3.448***	***3.275***	***3.379***
Polish Ocean Lines	*3.500*	*3.375*	***3.750***	*3.125*
Sea Land Service	***3.794***	***3.513***	*3.041*	***3.416***
Trailer Marine Trans.	***3.647***	***3.411***	*2.764*	*3.295*
Trans Freight Lines	***3.764***	***3.352***	***3.352***	***3.411***
United States Lines	*3.415*	*3.245*	*2.905*	*2.924*
Waterman Steamship	*2.000*	*2.125*	*2.125*	*2.500*
Y.S. Line	***3.625***	***3.500***	***3.500***	***3.750***
Zim Container Service	*3.100*	*3.050*	***3.200***	*2.800*

OCEAN FORWARDERS

AVERAGE	***3.383***	***3.265***	***3.174***	***2.192***
Fritz Cos.	***3.526***	***3.421***	*2.631*	***2.947***
F. W. Meyers & Co.	***3.500***	*3.166*	***3.000***	***3.083***
Schenkers Int'l	*3.125*	*3.208*	*2.500*	*2.708*

OCEAN FREIGHT

While the maritime industry may be suffering from the decline in foreign trade, this hasn't resulted in a decline in marketing excellence. More carriers achieved individual ranking of 4-plus in this category than in any other. In both service and sales force professionalism, ocean carriers achieved the highest averages of all modes studied. In fact this is the only mode in which the average ranking for sales force achieved or exceeded a 3.0 (average) ranking. This industry clearly leads in the "quest for quality".

No effort has been made to rank the carriers. That would defeat the purpose of this "pursuit of quality." Instead DISTRIBUTION seeks to create a vehicle for shippers to recognize those carriers that make the extra effort which defines excellence.

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CARRIER FINANCE

THE MANY COLORS OF MONEY

Who saw red and who saw black among motor, rail, air and ocean carriers in 1985? Whose prospects are best for staying in the green? A rainbow of results is presented on the following pages.

A DISTRIBUTION Staff Report

Prepare to be outnumbered.

On the following pages, we present a smorgasbord of statistical information to help you with your ongoing efforts to monitor carrier finances, both for individual companies and for the various modes and the industry as a whole. We've culled this data from a variety of sources, both public and private.

To accompany this main course of numbers, here are some nutshell assessments of the financial health of the four modes covered in this report:

MOTOR CARRIERS

While revenues soared to record levels in 1985, the motor carrier industry, by and large, still had a whale of a fight to remain profitable. The struggle continues today, as lower fuel expenses and other productivity gains are offset by high insurance premiums and continued downward competitive pressures on rates.

As a result, big-name bankruptcies remain a real possibility, and the name of the game is still operating efficiency. In the midst of some frighteningly bad numbers for well-known carriers, there are trucking companies that continue to return impressive earnings and post eye-opening operating ratios. Healthy growth spurts by some relatively new names, particularly "regional" truckers, are also noteworthy. The trend should continue to shake most of the remaining parentheses out of the earnings column and shape a shorter, stronger list of truckers that are all in the black.

RAILROADS

The Interstate Commerce Commission, which would probably call a Big Gulp an "inadequate" thirst-quencher, continues to issue miniscule lists of "revenue adequate" railroads. At this point, though, the railroads look to be the financially healthiest of the carrier industries—the result of "downsizing" and tight control of costs.

The number of Class I railroads has declined from 73 in 1975 to 39 in 1980, and further to 25 in 1985.

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KEY PERFORMERS—TRUCKLINES

LOWEST OPERATING RATIOS

Carrier	Operating Ratio
J.B. Hunt	81.2
New Penn Motor Express	82.9
Werner Enterprises	83.0
A-P-A Transport	83.8
Matador Service, Inc.	84.1
Overnite Transportation	84.8
Northwest Transport Services	86.6
DPD Inc.	86.8
Builder's Transport	86.9
SAIA Motor Freight Line	87.2
Estes Express Lines	87.7
Marten Transport Ltd.	87.8
Kenan Transport	88.0
Holland Motor Express	88.3
Jack Cooper Transport Co.	89.0

RANK BY LINEHAUL CPM

Rank	Carrier	Linehaul CPM ($)
1	Burnham Service Co.	0.50
2	Southeastern Freight Lines	0.60
3	Builder's Transport	0.70
4	Holmes Transportation	0.78
5	A-P-A Transport	0.82
6	Overnite Transportation	0.83
7	Watkins Motor Lines	0.83
8	Contract Freighters Inc.	0.86
9	Pre-Fab Transit	0.86
10	Overland Express	0.88
11	Stoops Express	0.89
12	Midwest Coast Transport	0.90
13	Crete Carrier Corp.	0.91
14	Transus	0.92
15	Interstate Contract Carrier	0.93

KEY PERFORMERS – TRUCKLINES

HIGHEST OPERATING RATIOS

Carrier	Operating Ratio
P.I.E. Nationwide	112.3
Midwestern Distribution	110.0
Campbell Sixty-Six Express	108.2
Pilot Freight Carriers	106.6
Duff Truck Line	105.7
Murphy Motor Freight Line	105.3
Mistletoe Express Service	104.4
Interstate Contract Carrier	103.0
Smith's Transfer	102.5
Associated Truck Lines	101.9
Garrett Freightlines	101.7
Matlack	101.6
Thurston Motor Lines	101.3
Paul's Trucking Corp.	101.2
FFE Transportation Services	101.1
Kenosha Auto Transport	101.1

OPERATING REVENUE

Carrier	Operating Revenues	'84 Rank	Net Change
Roadway Express	1,428.8	1	NC
Yellow Frt. System	1,407.1	2	NC
Consolidated Frtways.	1,329.6	3	NC
N. American Van	680.1	5	+1
P.I.E. Nationwide	673.7	4	–1
Overnite Transport.	469.7	7	+1
ABF Freight Systems	419.0	8	+1
Carolina Frt. Carriers	411.9	9	+1
Anchor Motor Frt.	408.3	NR	New
Allied Van Lines	369.7	10	NC
United Van Lines	366.6	11	NC
Smith's Transfer	354.9	12	NC
Transcon Lines	323.5	13	NC
Aero Mayflower	302.8	15	+1
American Freight Sys.	302.2	14	–1

MAJOR MOTOR CARRIERS SELECTED EARNINGS DATA

CARRIER & YEAR		OPERATING REVENUES ($ millions)	NET CARRIER OPERATING INCOME[2] ($ millions)	NET INCOME[3] ($ millions)	REVENUE TONS HAULED[4] (millions)	OPERATING RATIO[5] (percent)	RETURN ON EQUITY LESS INTANGIBLE PROPERTY (%)[6]
AAA Cooper	1985	71.9	7.7	4.51	0.63	89.2	25.43
	1984	66.4	7.3	3.64	0.61	88.9	28.80
ABF Freight	1985	418.9	18.5	9.88	1.89	95.6	54.14
	1984	386.2	15.3	7.92	2.06	96.0	251.41
A-P-A Transport	1985	98.6	17.1	7.40	0.46	82.7	50.93
	1984	97.6	19.7	9.84	0.47	79.8	30.22
Advance Transportation	1985	67.2	1.5	0.31	0.65	97.8	11.05
	1984	66.9	(0.2)	(1.28)	0.74	100.3	-0-
Aero Mayflower	1985	302.8	12.4	7.38	0.63	95.9	19.74
	1984	267.7	14.7	9.41	0.47	94.5	33.86
Allied Van Lines	1985	370.4	0.8	4.75	0.62	99.8	16.66
	1984	353.9	7.3	7.76	0.58	97.9	37.17
American Freight System	1985	302.2	3.9	2.78	1.72	98.7	6.85
	1984	294.6	6.9	4.11	1.61	97.7	11.19
Anchor Motor Freight	1985	408.3	NA	20.62	5.41	92.1	NA
	1984	316.2	NA	9.54	3.64	93.8	NA
Anderson Trucking	1985	55.9	2.5	1.91	0.81	95.5	22.99
	1984	52.7	2.4	1.45	0.85	95.3	20.32
Associated Truck Lines	1985	183.3	(3.1)	(4.46)	1.81	101.7	-0-
	1984	194.0	(13.5)	(12.6)	2.11	107.0	-0-
Atlas Van Lines	1985	163.0	8.7	(1.07)	0.26	94.6	-0-
	1984	162.5	6.7	2.89	0.28	95.8	3.80
Auto Convoy	1985	64.7	0.1	(0.87)	0.99	99.8	-0-
	1984	77.7	3.1	2.10	1.48	95.9	474.72
Bekins Van Lines	1985	202.3	1.5	1.48	0.32	99.2	4.74
	1984	206.8	6.5	4.54	0.34	96.8	17.05
Bowman Transportation	1985	166.4	0.3	0.51	1.69	99.8	1.40
	1984	158.6	2.9	4.08	1.68	98.2	8.06
Brown Transport	1985	182.1	3.3	(1.05)	2.33	98.2	-0-
	1984	171.7	6.5	1.86	2.38	96.2	13.45
Builders Transport	1985	107.7	NA	7.27	4.02	86.9	NA
	1984	79.0	NA	4.15	3.34	89.1	NA
Burnham Service Co.	1985	88.1	8.8	3.79	0.12	90.0	39.42
	1984	78.9	10.5	4.86	0.11	86.7	114.07
C.W. Transport	1985	125.0	0.4	1.71	1.13	99.7	1.11
	1984	131.5	1.6	1.96	1.43	98.8	4.21
Campbell 66 Express	1985	80.4	(6.5)	(6.45)	0.66	108.1	-0-
	1984	88.5	(3.5)	(2.13)	0.74	103.9	-0-
Cassens Transport	1985	85.8	0.3	(0.12)	0.66	99.6	-0-
	1984	71.1	0.5	0.57	0.79	99.3	26.68
Carolina Freight Carriers	1985	411.9	30.2	14.99	2.34	92.7	26.23
	1984	373.2	25.5	13.16	2.16	93.2	28.48
Central Freight Lines	1985	193.8	4.8	6.49	2.40	97.5	8.38
	1984	191.2	8.6	8.18	2.48	95.5	12.41
Central Transport	1985	245.1	11.3	1.05	5.29	95.4	32.03
	1984	260.7	9.2	(0.7)	5.46	96.5	32.77
Chemical Leaman	1985	161.1	4.9	1.47	5.44	96.9	6.38
	1984	158.0	3.6	(0.6)	5.53	97.7	-0-
Churchill Truck Lines	1985	90.1	3.4	2.13	0.55	96.2	15.41
	1984	84.9	5.1	2.62	0.58	94.0	26.52
Commercial Carriers	1985	176.2	10.1	4.53	2.94	94.3	16.22
	1984	167.9	9.2	4.40	2.74	94.5	16.98
Complete Auto Transit	1985	255.8	NA	12.56	2.93	90.9	NA
	1984	246.9	NA	11.62	2.88	90.8	NA
Consolidated Freightways	1985	1329.6	93.7	59.41	4.98	92.9	13.46
	1984	1283.7	93.1	62.09	5.03	92.7	15.82
Contract Freighters	1985	65.8	NA	2.10	1.22	94.4	NA
	1984	51.9	NA	3.58	NA	91.2	NA
(Jack) Cooper Transport	1985	120.8	9.2	4.35	1.67	92.4	12.03
	1984	130.8	7.4	8.01	1.78	94.3	38.66
Crete Carrier Corp.	1985	83.1	3.5	2.77	1.46	95.8	19.29
	1984	74.1	4.8	3.28	1.30	93.5	29.61
DPD Inc	1985	75.2	NA	0.04	0.75	86.8	NA
	1984	49.4	NA	0.52	NA	98.0	NA
Dart Transit	1985	62.2	NA	2.43	0.36	94.3	NA
	1984	53.9	NA	1.76	NA	94.6	NA
Duff Truck Line	1985	55.9	NA	(2.7)	0.88	105.7	NA
	1984	57.8	(1.1)	(0.5)	1.03	101.9	28.95
E&L Transport	1985	86.3	2.6	2.14	0.92	97.0	30.02
	1984	76.6	3.9	2.09	0.92	94.8	89.14
Estes Express Lines	1985	64.5	9.8	4.20	0.76	84.8	31.08
	1984	59.0	9.1	4.46	0.75	84.6	40.21
FFE Transportation	1985	86.1	(0.7)	(0.43)	0.92	100.8	-0-
	1984	63.0	0.1	0.14	0.68	99.1	2.14
Garrett Freightlines	1985	166.2	(2.7)	(3.75)	1.08	101.7	-0-
	1984	173.8	(4.2)	(6.44)	1.20	102.4	-0-

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MAJOR MOTOR CARRIERS–SELECTED EARNINGS DATA

CARRIER & YEAR		OPERATING REVENUES ($ millions)	NET CARRIER OPERATING INCOME[2] ($ millions)	NET INCOME[3] ($ millions)	REVENUE TONS HAULED[4] (millions)	OPERATING RATIO[5] (percent)	RETURN ON EQUITY LESS INTANGIBLE PROPERTY (%)[6]
Global Van Lines	1985	72.4	0.4	(0.58)	0.16	99.4	2.16
	1984	82.7	2.8	1.32	0.19	96.6	13.82
Graves Truck Lines	1985	68.2	2.3	0.55	0.50	96.6	9.05
	1984	71.4	(1.5)	(2.14)	0.55	102.1	-0-
Groendyke Transportation	1985	61.7	1.1	0.25	3.61	98.2	3.36
	1984	63.0	2.7	1.10	3.73	95.7	10.74
Hall's Motor Transit	1985	158.8	(8.7)	(12.5)	1.02	105.5	-0-
	1984	191.2	(7.1)	(9.98)	1.31	103.7	-0-
Holland Motor Express	1985	106.6	12.4	7.21	0.92	88.3	39.74
	1984	91.0	10.0	5.75	0.79	89.0	27.67
Holmes Transportation	1985	59.3	0.6	0.66	0.48	98.9	4.08
	1984	53.6	(1.1)	0.57	0.52	102.1	4.24
J.B. Hunt Transport	1985	131.5	26.7	16.31	1.84	79.7	60.23
	1984	97.9	24.1	14.14	1.46	75.4	105.20
Hyman Freightways	1985	60.2	0.8	0.39	0.47	98.6	16.93
	1984	51.5	1.5	0.61	0.39	97.0	36.24
Interstate Contract Car.[7]	1985	129.5	NA	(1.28)	1.34	103.0	NA
	1984	71.7	NA	(1.56)	0.88	107.2	NA
Janesville Auto Transport	1985	62.8	NA	3.48	1.10	91.3	NA
	1984	59.4	NA	3.34	0.99	90.7	NA
Jones Motor Co.	1985	98.3	1.9	2.01	1.92	98.1	56.18
	1984	76.6	1.8	2.02	1.52	97.6	129.23
Jones Transfer	1985	66.6	1.8	0.72	1.42	97.2	4.10
	1984	66.7	5.4	2.74	1.36	91.9	40.60
Jones Truck Lines	1985	166.6	10.1	5.43	1.14	93.9	10.40
	1984	152.2	11.4	6.54	1.11	92.5	12.50
Kenosha Auto Transport	1985	56.5	(0.6)	0.12	0.58	101.1	1.29
	1984	60.7	1.3	0.81	0.65	97.9	10.59
Lyons Transportation	1985	55.7	0.3	0.01	0.39	99.5	1.80
	1984	53.2	0.8	0.51	0.40	98.4	7.61
M&G Convoy	1985	98.5	3.4	2.70	1.21	96.5	22.89
	1984	90.6	2.7	1.97	1.11	97.0	18.49
Matador Service	1985	71.2	NA	6.27	NA	84.1	NA
	1984	64.7	NA	5.28	NA	82.3	NA
Matlack Inc.	1985	200.2	(3.3)	(5.1)	7.83	101.7	-0-
	1984	209.0	8.3	2.72	8.70	96.0	7.19
Mercer Transportation	1985	60.0	NA	1.01	1.06	96.8	NA
	1984	49.2	NA	1.19	NA	95.2	NA
Merchants Fast Motor Lines	1985	92.7	1.1	0.27	0.97	98.8	2.58
	1984	95.1	4.9	2.00	0.99	94.8	23.08
Midwest Coast Transport	1985	66.9	2.7	1.44	0.74	96.0	24.68
	1984	60.2	2.2	1.29	0.64	96.4	20.56
Midwestern Distribution	1985	99.9	NA	(6.4)	1.81	110.0	NA
	1984	135.6	(6.9)	(1.3)	1.37	105.2	-0-
Miller Transporters	1985	58.4	1.2	0.22	3.75	97.9	6.00
	1984	57.5	1.0	(0.1)	4.18	98.2	2.14
Milne Truck Lines	1985	99.6	0.7	(0.13)	0.60	99.3	-0-
	1984	99.7	1.4	0.63	0.69	98.6	3.32
Mistletoe Express Service	1985	70.0	(2.7)	0.82	0.27	103.9	15.39
	1984	75.2	0.7	(0.48)	0.22	99.0	-0-
Motor Convoy	1985	104.4	1.0	0.38	3.84	99.0	8.27
	1984	92.9	2.7	2.37	3.53	97.1	104.76
Murphy Motor Freight Lines	1985	82.1	(4.4)	(5.81)	0.65	105.3	-0-
	1984	96.7	(0.1)	(0.82)	0.74	100.1	-0-
National Freight	1985	103.4	1.4	4.89	1.01	98.7	50.16
	1984	89.3	0.9	3.93	1.18	98.9	52.25
New Penn Motor Express	1985	74.6	12.7	7.46	0.59	82.9	22.92
	1984	65.7	10.7	6.64	0.57	83.7	23.98
North American Van Lines	1985	680.1	15.2	24.62	3.16	97.8	18.17
	1984	654.2	28.2	27.72	3.02	95.7	25.24
Northwest Transport Service	1985	95.7	12.9	7.61	0.45	86.5	30.27
	1984	82.8	11.1	6.30	0.41	86.6	34.84
Nu-Car Carriers	1985	116.6	5.7	2.02	2.15	95.1	19.73
	1984	113.3	8.1	3.58	2.11	92.8	67.06
Old Dominion Freight Lines	1985	112.8	0.8	(2.8)	1.38	99.3	-0-
	1984	127.5	0.9	(1.6)	1.70	99.3	-0-
Overland Express	1985	96.1	NA	(1.9)	1.52	96.5	NA
	1984	83.8	NA	0.76	11.3	90.1	NA
Overnite Transportation	1985	469.7	71.3	39.02	3.46	84.8	21.49
	1984	414.4	59.0	33.94	3.58	85.8	21.84
P-I-E Nationwide[8]	1985	673.7	(83.1)	(96.7)	2.68	112.3	-0-
	1984	890.7	(26.3)	(19.7)	3.83	103.0	-0-
Pacific Motor Trucking	1985	95.4	0.7	0.49	1.03	99.2	-0-
	1984	108.9	4.2	2.80	1.19	96.2	-0-
Pauls Trucking	1985	65.0	NA	(0.1)	1.91	101.2	NA
	1984	58.5	NA	0.36	1.68	99.4	NA
Pennsylvania Truck Lines	1985	75.3	NA	2.08	NA	96.3	NA
	1984	67.4	NA	15.33	NA	98.3	NA
Pilot Freight Carriers	1985	180.6	(12.4)	(13.9)	1.15	106.9	-0-
	1984	208.4	(10.0)	(11.9)	1.83	104.8	-0-
Pre-Fab Transit	1985	60.3	0.9	0.70	0.86	98.5	8.63
	1984	56.9	2.6	1.56	0.89	95.4	27.57
Preston Trucking	1985	280.5	4.6	3.49	2.20	98.3	3.61
	1984	285.1	11.1	8.15	2.70	96.1	8.89
Red Star Express	1985	96.6	11.1	10.56	0.54	88.5	39.44
	1984	97.6	9.5	4.38	0.61	90.3	20.67
Roadway Express	1985	1428.7	128.3	92.30	5.57	91.0	15.22
	1984	1400.9	133.8	98.28	5.84	90.4	17.93
Saia Motor Freight	1985	57.0	6.7	7.26	0.62	88.3	39.36
	1984	56.3	8.1	5.66	0.67	85.7	21.88
St. Johnsbury Trucking	1985	227.8	17.1	8.17	1.49	92.5	21.74
	1984	232.3	13.9	7.18	2.02	94.0	20.36
Signal Delivery Service	1985	206.9	NA	8.20	3.12	93.0	NA
	1984	221.7	NA	9.33	2.94	94.3	NA
Smith's Transfer	1985	354.9	(8.8)	(7.97)	2.09	102.5	-0-
	1984	335.1	5.5	(3.26)	2.10	98.4	-0-
Southeastern Freight Lines	1985	77.1	8.1	7.50	0.85	89.5	55.76
	1984	70.0	10.1	9.64	0.83	85.6	111.50
Southwest Motor Freight	1985	64.2	3.6	0.11	0.57	94.4	4.91
	1984	59.8	2.2	0.52	0.58	96.3	1.82
Stoops Express	1985	57.0	3.4	0.06	0.64	94.0	3.54
	1984	44.4	4.0	1.65	0.48	90.9	88.41
Thurston Motor Lines	1985	136.5	(1.7)	(2.83)	1.27	101.3	-0-
	1984	111.5	2.1	(1.20)	1.29	98.1	-0-
Transcon Lines	1985	323.5	9.3	0.64	1.73	97.1	1.60
	1984	326.5	19.6	8.73	1.83	94.0	28.10
Transus Inc.	1985	90.2	1.3	1.57	0.75	98.5	13.39
	1984	96.1	4.7	3.70	0.88	95.1	29.10
Tri-State Motor Transit	1985	114.5	(0.4)	(1.21)	0.94	100.4	-0-
	1984	109.6	1.1	0.51	0.93	99.0	2.48
United Van Lines	1985	367.9	3.0	3.04	0.67	99.2	8.63
	1984	341.3	(0.3)	2.89	0.60	100.1	4.79
Viking Freight System	1985	130.3	7.2	3.15	0.67	94.5	8.61
	1984	102.9	6.7	3.57	0.58	93.5	10.83
Watkins Motor Lines	1985	119.2	7.5	3.73	0.45	93.7	27.73
	1984	116.6	4.9	2.28	0.49	95.8	19.61
Werner Enterprises	1985	73.7	NA	5.68	NA	83.0	NA
	1984	53.5	NA	4.45	NA	84.9	NA
Yellow Freight System	1985	1407.1	97.3	56.00	5.09	93.1	20.90
	1984	1293.3	68.8	41.24	4.95	94.7	18.07

[1]The carriers listed are those with the 100 largest gross revenues for 1985, as determined by Commercial Carrier Journal in its "Top 100" report, July 1986. Data for United Parcel Service of Illinois and United Parcel Service of New York, ranked one and two in the CCJ list, are not included in this listing, because their operations are generally dissimilar from the other motor carriers listed. Categories and data shown were obtained from the CCJ report and from the Interstate Commerce Commission's year-end report. Some figures have been rounded off to meet space requirements.

[2]Net Carrier Operating Income – Difference between carrier operating revenues and carrier operating expenses. As reported by the Interstate Commerce Commission.

[3]In most instances, revenue tons hauled reflect common and contract carrier service.

[4]Net Income – After taxes, as reported by Commercial Carrier Journal.

[5]Operating Ratio – Ratio of operating expenses to operating revenues.

[6]Return on Equity – Ratio of net income before net extraordinary charges for write-down of operating rights to shareholders' equity less intangible property at end of previous calendar year. The symbol -0- indicates a deficit in net income and/or shareholders' equity. As reported by the Interstate Commerce Commission.

[7]Now part of Ryder Freight System.

[8]Formerly Ryder/P-I-E Nationwide.

This, along with some fancy accounting footwork, explains the lower revenue and net income figures on the "total" line of this year's ICC tabulation.

Total miles of railroad track has declined 2.4 percent annually since 1974, and freight cars in service has declined 3.7 percent annually. It is also important to note a relatively steep decline in employment, which fell 9.6 percent annually from 1981 through 1984.

The result of this shrinkage and strict control of costs is that the railroads have been transformed from cash users to cash generators. From 1975 to 1980, the railroads' cash flow ratio was in the 0.5 to 0.7 range. In other words, there was only $5 to $7 of cash generated for every $10 of capital expenditures required. In 1981, however, the ratio turned strongly positive and, as a result, the industry's debt-to-capital ratio has come down from 0.41 to 0.28.

With railroad operations shrinking and balance sheets and cash flow in good shape, railroads have become aggressive acquirers. Initially, acquisitions centered on energy concerns, but transportation purchases have been more prevalent recently. We've seen buyouts of a steamship company, a barge line, a motor carrier van line and other small truckload carriers. Considering the large growth in piggyback traffic, it may be tempting for a railroad to buy a large LTL motor carrier—something that has been anticipated for a number of years.

continued on page 48

CLASS I FREIGHT RAILROADS – SELECTED EARNINGS DATA

CARRIER & YEAR		OPERATING REVENUES ($ millions)	NET CARRIER OPERATING INCOME[1] ($ millions)	INCOME BEFORE EXTRAORDINARY ITEMS[2] ($ millions)	NET INCOME[3] ($ millions)	REVENUE TONS MILES[4] (100 millions)	RETURN ON NET INVESTMENT[5] (%)
Atchison, Topeka	1985	2,144.4	119.7	125.8	125.8	99.09	3.42
& Santa Fe	1984	2,305.4	148.8	135.0	135.0	75.09	4.50
Baltimore	1985	1,022.3	(17.8)	(53.1)	(53.1)	21.45	-0-
& Ohio[6]	1984	1,050.9	69.8	43.7	43.7	26.50	4.22
Boston	1985	115.7	1.5	4.3	4.3	2.30	2.09
& Maine[8]	1984	125.0	6.4	7.9	7.9	2.63	9.43
Burlington	1985	4,040.5	458.3	488.5	488.5	184.09	7.72
Northern	1984	4,440.2	547.1	551.3	551.3	200.58	9.94
Chesapeake	1985	1,020.9	(1.0)	(59.0)	(59.0)	32.21	-0-
& Ohio[6]	1984	1,050.5	79.5	142.3	142.3	32.68	5.27
Chicago, Mil.,	1985	49.0	(8.3)	(9.1)	(9.1)	–	-0-
St. Paul & Pac.[8]	1984	417.1	2.8	(40.5)	(25.8)	12.51	0.44
Chicago &	1985	823.7	4.4	(29.5)	(26.1)	24.28	0.42
North Western[5,7]	1984	822.1	59.2	20.9	20.9	24.63	5.70
Consolidated	1985	3,153.7	309.1	360.9	441.8	74.13	6.23
Rail Corp.	1984	3,321.6	442.2	472.3	500.2	76.82	8.94
Delaware	1985	109.6	(3.1)	(3.5)	(3.5)	3.65	-0-
& Hudson	1984	123.2	(4.9)	(6.5)	(6.5)	4.03	-0-
Denver & Rio	1985	325.5	23.5	24.1	24.1	11.64	4.02
Grand Western	1984	358.4	25.4	23.1	23.1	13.06	4.78
Elgin, Joliet	1985	85.0	0.4	5.1	5.1	0.48	-0-
& Eastern	1984	90.2	1.8	7.4	7.4	0.50	1.20
Florida	1985	117.8	9.3	23.6	23.6	3.23	3.49
East Coast	1984	121.5	13.8	26.9	26.9	3.15	4.81
Grand Trunk	1985	342.9	5.3	1.4	5.1	4.98	1.59
Western	1984	341.1	14.4	7.5	7.5	5.58	3.67
Illinois	1985	880.5	33.3	25.7	30.0	25.75	1.89
Central Gulf	1984	954.7	53.8	62.4	62.4	27.01	3.08
Kansas City	1985	316.7	31.4	23.8	23.8	11.62	6.82
Southern	1984	331.5	35.8	28.6	28.6	12.07	7.58
Missouri-Kansas-	1985	263.1	7.3	(5.6)	(5.6)	8.92	2.21
Texas	1984	275.6	18.4	7.9	7.9	8.39	6.15
Missouri	1985	1,656.0	141.7	71.0	71.0	51.37	4.76
Pacific	1984	1,795.2	148.0	130.0	130.0	52.84	5.35
Norfolk	1985	1,720.9	170.4	281.3	281.3	44.17	6.10
& Western	1984	1,716.2	161.5	264.0	264.0	44.00	6.08
St. Louis	1985	390.1	17.3	21.2	21.2	13.47	2.21
Southwestern	1984	436.2	25.3	44.6	44.6	15.39	3.36
Seaboard	1985	2,645.0	47.6	(14.6)	(14.6)	76.56	1.18
System[5]	1984	2,785.8	268.3	246.3	246.3	80.40	7.16
Soo	1985	600.4	13.1	(2.0)	(2.0)	18.34	2.82
Line[8]	1984	315.5	12.4	18.0	18.0	9.96	2.71
Southern	1985	2,053.9	18.3	117.0	117.0	63.50	0.58
Pacific	1984	2,188.6	66.7	137.2	137.2	68.75	2.22
Southern	1985	1,704.3	210.2	207.7	207.7	47.39	6.09
Railway[9]	1984	1,795.4	228.4	221.1	221.1	48.88	6.73
Union	1985	1,896.9	157.6	187.1	187.1	73.40	4.94
Pacific	1984	1,920.9	134.1	122.7	122.7	66.62	4.21
Western	1985	156.8	(6.4)	(12.7)	(12.7)	6.07	-0-
Pacific	1984	146.7	0.3	(6.8)	(6.8)	5.44	0.20

Note: Data shown above are based on ratable depreciation accounting (DA) for track structures. By Interstate Commerce Commission order served February 17, 1983 ("Alternative Methods of Accounting for Railroad Track Structures"), railroads were required to file financial data with the ICC on the basis of DA. DA replaced the retirement-replacement-betterment accounting method for track structures.

[1]Net Railway Operating Income – Difference between operating revenues and the total of railway operating expenses, railway tax accruals and net equipment and joint facility rents.

[2]Income Before Extraordinary Items – Net income after including fixed charges, non-operating income, unusual or infrequent items and earnings attributable to discontinued segments but before extraordinary items and cumulative effect of changes in accounting principles.

[3]Net Income – Net income after extraordinary items and cumulative effect of changes in accounting principles.

[4]Return on Net Investment – Ratio of railway operating income to net investment in railway property used in transportation services at end of previous calendar year. The latter includes an allowance for working capital based on the ICC's Rail Form A formula. If net investment data as of the end of each quarter were available, returns on investment would be computed using an average of the net investment at the beginning and at the end of the respective twelve-month periods. However, net investment data is generally only available at the end of the calendar year; a substantial portion of this data is derived from annual reports (Form R-1) of Class I line-haul railroads which are required to be filed with the Commission by March 31 of the following year. Thus, the net investment data used for this report which represent the latest available end-of-calendar-year data are not averaged in order to assure that net railway operating income is more closely equated with the railroad assets generating this income. The symbol -0- for return on net investment indicates a deficit net railway operating income. In Ex Parte No. 458, "Railroad Cost of Capital-1984," served January 6, 1986, the Commission found that the railroad industry's current cost of capital; or fair return rate, for comparison with returns on net investment was 15.8 percent for 1984.

[5]Net railway operating income, income before extraordinary items and net income shown for the CSX Corporation railroads were substantially reduced due to large year-end accounting adjustments to record severance pay for employee buyouts and the write-down of assets attributable to freight car retirements and line abandonments. These large adjustments and the large adjustment by the Chicago and North Western (see footnote 7) also had a significant impact on the composite earnings data for all Class I railroads reflected on the "total" line.

[6]Boston and Maine's large return on net investment is attributable to a substantial write-down of the railroad's net investment in railroad property on June 30, 1983. The purchase price for the common stock of Boston and Maine was considerably less than the railroad's net equity, necessitating a large write-down of railroad assets.

[7]Net railway operating income, income before extraordinary items and net income shown for Chicago and North Western Transportation Company and lessor subsidiaries were reduced by a $24.6 million year-end accounting adjustment to record a provision for employee severance pay.

[8]The Soo Line Railroad Company acquired the railroad operations of the Chicago, Milwaukee, St. Paul and Pacific Railroad (Milwaukee) on February 19, 1985. Data shown for Soo Line reflect operations over the lines of the Milwaukee subsequent to February 19. Data shown for Milwaukee reflect operations from January 1 to February 19. Data filed by Milwaukee for 1984 included a $47.8 million loss from disposal of discontinued segments (the lines sold to Soo Line), of which $15 million represents an estimated loss for the period of January 1 to February 19, 1985. Since the actual loss incurred in the 1985 period was subsequently reported by Milwaukee and is shown above in the data for 1985, the estimated $15 million loss has been eliminated from Milwaukee's data in compiling the data shown for 1984.

[9]Data for three Class I subsidiaries of the Southern Railway (Alabama Great Southern Railroad, Central of Georgia Railroad and Cincinnati, New Orleans and Texas Pacific Railway) are included in the data shown for Southern Railway.

AIR FREIGHT

Express is the largest segment of the air freight industry. While this segment is growing rapidly, in excess of 20 percent annually, it is one of the least healthy. Airborne, Emery, Federal Express and Purolator all have significant, although not dangerous, levels of debt. More important, profitability has dropped noticeably. No doubt, the air express shipper is receiving excellent service at increasingly lower prices. The industry, however, is not receiving an adequate return on its *very* large investments. This cannot last forever. There needs to be some consolidation to get fewer companies chasing the volume, and to bring in higher returns.

At the opposite end of the spectrum are the "pure" air freight forwarders. Contrary to the accepted laws of economics, the forwarders make minimal capital investments while earning returns often envied by heavily-invested airplane owners. While the railroads are becoming multimodal asset owners, the forwarders concentrate on adding value to the assets of others. Consequently, the forwarders are able to become an extension of the traffic department in developing distribution strategies.

Among combination air carriers, every airline is looking to establish a desirable passenger "hub," and this trend has a direct affect on their ability to provide competitive point-to-point freight service.

OCEAN CARRIERS

As the steamship industry struggles to keep its head above water, two trends have emerged that should benefit the shipper. First, several lines have introduced worldwide "supership" service—huge capacity ships that dramatically lower cost-per-unit while sacrificing transit times. Second, several carriers have developed intermodal networks that offer faster transit times—via double-stack trains, for example—at a higher price.

Still, the challenge continues to find ways to reduce ocean carriers' heavy debt loads (see table). The recently announced appeal to creditors by McLean Industries, parent of United States Lines, for 60 days to shape a debt restructuring plan, is just the latest symptom of this chronic ocean malady.

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AIR COURIERS

CARRIERS	Debt-to-Equity Ratio 1980	Debt-to-Equity Ratio 1985	Net Profit Margin 1980	Net Profit Margin 1985
Airborne	0.47	0.68	2.8	1.7
Emery	0.09	0.60	3.9	2.0
Federal Express	0.79	0.75	9.3	3.8
Purolator	0.51	0.65	2.4	loss

AIR EXPRESS REVENUES—1985 (millions)

Federal Express	$2,575.0
United Parcel	700.0
U.S. Post Office	600.0
Purolator	440.0
Airborne	325.0
Emery	193.2
DHL	150.0

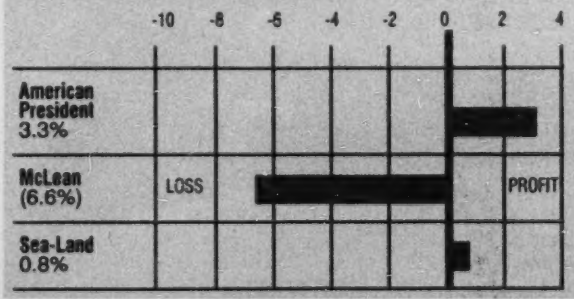
Source: Legg Mason Estimates

TOP 15 AIRLINES—1985

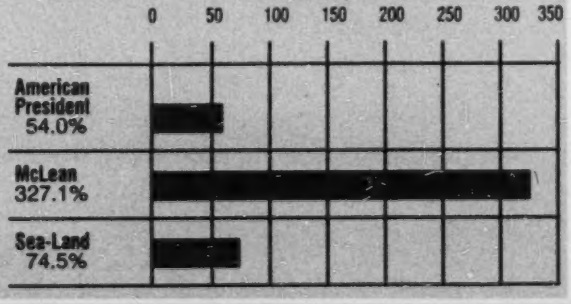
CARRIERS	Total Revenues (millions)	Market Share (%)
American	$5,859.3	13.1
United	4,920.1	12.4
Eastern	4,815.1	9.9
Trans World	3,860.7	9.5
Delta	4,738.2	9.0
Pan American	3,157.0	8.1
Northwest	2,650.0	6.7
Continental	1,731.1	4.9
People Express	927.9	3.3
Republic	1,734.4	3.2
Western	1,306.5	3.1
USAir	1,749.1	2.9
Piedmont	1,366.6	2.4
Southwest	606.1	1.6
Frontier	557.8	1.3

Source: Air Transport Association

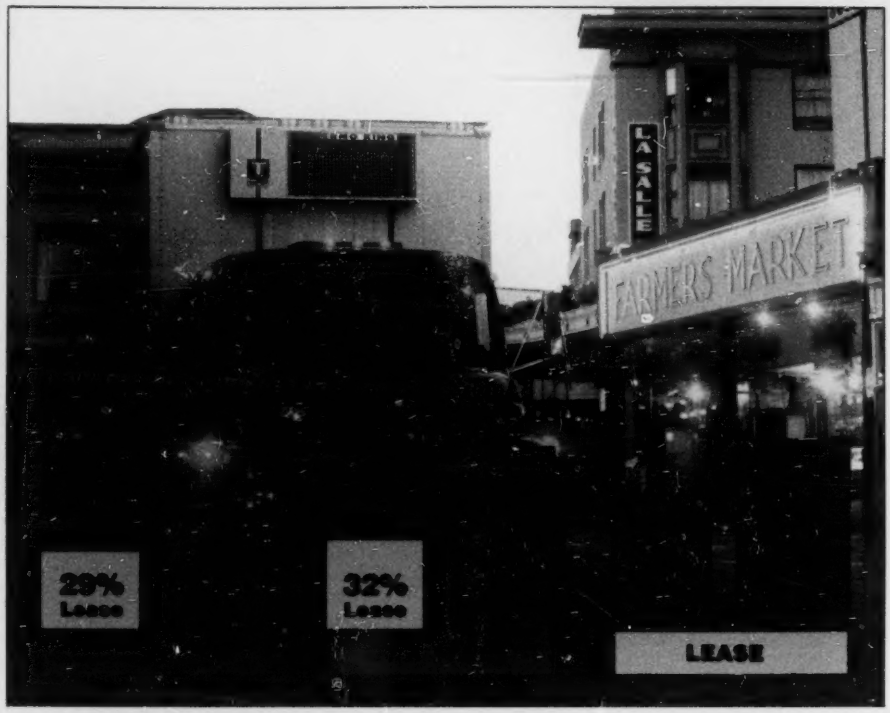
SELECTED 1985 OCEAN CARRIER NET PROFIT MARGINS (%)



SELECTED 1985 OCEAN CARRIER DEBT-TO-EQUITY RATIOS (%)



LAST PICKUP



FOOD FOR THOUGHT

Sister publication *Food Engineering* recently polled 3,000 distribution managers within the food industry to determine how they handle their transportation needs. The chart at left indicates that nearly all respondents ship their products using some combination of contract carriage, leasing and fleet ownership. For example, of those who use contract carriage, 29 percent also lease and 39 percent own part of their fleet. The food industry could be a real growth market for the leasing business—51.6 percent of the respondents said they do not lease at all. Of those who do, 23 percent use leasing for less than 10 percent of their total transportation needs. The survey also found that 44 percent of the respondents don't use railroads at all, while another 20 percent ship less than 10 percent of their foodstuffs via the rails.

LIFE IN THE FAST LANE

Becky Roloff, who was profiled in May's feature "Found: Tomorrow's Logistics Pro" (p. 24) in her capacity as director of distribution for Pillsbury, apparently is on a fast track. In early May, Roloff was asked to take over as Pillsbury's vice president of marketing. That's a departmental jump rarely made by someone in logistics.

She considers the switch a "lateral move," but notes that it sends out strong signals about her interest in general management. As pointed out in Part One of our Logistics Pro feature (April, p. 28), lateral moves within a company are often the best way for a logistics person to climb the corporate ladder. Roloff jokes that "everything I learned in distribution has nothing to do with what I'm doing now," and that she's been "slammed into the bottom of the learning curve."

Asked to compare distribution and marketing and note any transferable skills, Roloff maintains that what carries over is the ability to form and focus a team effort. Always necessary, she asserts, are planning skills, leadership and organizational abilities. The differences? "There are different numbers to control. In distribution you are mostly concerned with cost. In marketing you have to change your perspective to profit. Also, where I was a supplier of service before, now I'm a customer. And because of my distribution experience, I really know what it takes to please a customer."

For those making a similar jump, Roloff offers these words of advice. "The job is bigger than I am right now. But that's the only way you grow. You have to have no fear of failure. The bases are loaded and you have to hit a home run—*this time*. What you did in your last job doesn't matter. It would have been more comfortable to stay in distribution, but now I'm ready to feel terrified. . .and I plan to have as much fun as I can."

VOICE OF PROPHECY

The ink was barely dry on the pages of our June story on regional trucking ("Regional Trucking Checks In," p. 28) when St. Johnsbury Trucking Co. President Bill Clifford became a prophet. "You'll never see St. Johnsbury promote the fact that we're owned by Sun Carriers," Clifford said. "They feel, and we feel, that we have our own strength as a regional carrier. . . ." Clifford and St. Johnsbury will now have the chance to put those words to the test—Sun Carriers announced recently that St. Johnsbury and two of its other regional carriers, Milne and Jones trucking companies, will be spun off in a public stock offering later this year.

MORE CAREER FOLLOW-UP

The Council of Logistics Management recently issued the second edition of its 20-page booklet titled "Careers in Logistics." The booklet is a handy source for high school and early college students who are exploring career choices. Free single and bulk copies are available by writing to CLM at 2803 Butterfield Road, Oak Brook, IL 60521.

HOME OF THE BRAVES?

Pilot Air Freight has lent its support to efforts aimed at luring a major league baseball franchise to Buffalo. Pilot President John Edwards put up $1 million toward construction of a new stadium, to be called Pilot Field. While Buffalo pursues a big league franchise, the Buffalo Bisons—a Triple-A affiliate of the Chicago White Sox—will put the stadium to good use.

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